

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 4/2/2013

GAIN Report Number: AS1309

Australia

Cotton and Products Annual 2013

Approved By:

Hugh Maginnis, Agricultural Counselor

Prepared By:

Rebecca Gowen, Agricultural Specialist

Report Highlights:

Favorable seasonal conditions have increased forecast Australian cotton production for 2012/13 to 4.3million bales and increased expected exports to 4.7million bales. Harvesting has commenced with early reports indicating good yields and high quality. Irrigated cotton once again accounts for the majority of cotton produced in Australia while the area of dry-land cotton decreased by over 80 percent due to competitive prices for grain. Production for 2013/14 is forward projected at 4.2 million bales with exports of 4.3 million bales.

Commodities:

Cotton

Seasonal conditions

The 2012/13 Australian summer has been confirmed as the hottest on record with new extreme temperature records set in every state and territory. Rainfall patterns have been varied with some areas along the east coast receiving very high rainfall and flooding while other areas have remained very dry.

The preliminary April to June outlook is for higher than normal rainfall across cropping areas of southern and eastern Queensland and northern and eastern New South Wales. However, model accuracy is relatively low at this point and forecasts may change.

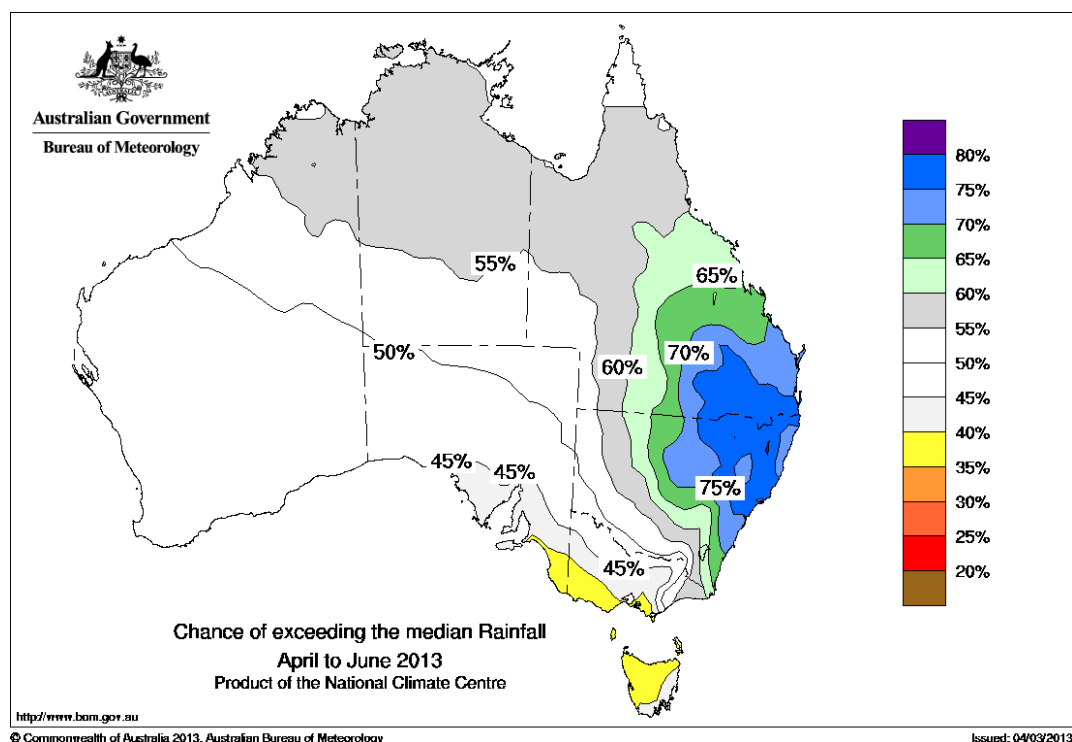


Figure 1 Australian rainfall outlook April – June 2013 (Source: Australian Bureau of Meteorology)

Cotton Production

Harvest of the 2012/13 Australian cotton crop has started in northern growing areas and will commence shortly in other areas. The hot, dry conditions experienced over the Australian summer have created ideal growing conditions for irrigated cotton with yield results that are expected to be very good. Reports of yields up to 11 bales per hectare for early harvested irrigated cotton in Central Queensland have been received. However the average across irrigated and dry-land systems in all growing areas is expected to be lower at 9.8 bales per hectare, which is still well above the 5-year average of 8.7 bales per hectare.

The total cotton harvested area in Australia for the 2012/13 year is forecast at 442,000 hectares which equates to a total production of 4.3 million bales. This is an increase of 100,000 bales over the previous estimate, and reflects the excellent growing conditions experienced by many growers. However, the 2012/13 crop is still 12 percent smaller than the record crop of 5.5 million bales grown in 2011/12.

Irrigated cotton once again accounts for the majority of cotton produced in Australia with 95 percent of the 2012/13 crop grown under irrigation. The area planted to dry-land cotton in 2012/13 fell by over 80 percent compared to 2011/12 due to relatively higher grain prices which encouraged growers to switch to growing crops such as sorghum. Yields for dry-land cotton will be significantly lower than irrigated cotton yields as rainfall over the growing season was below average.

Estimates of harvested area and production figures for irrigated and dry-land cotton for the two cotton producing states, New South Wales (NSW) and Queensland (QLD), are shown in Table 1.

Table 1 Australian cotton production by system and state

	Area irrigated (000ha)	Area dry (000ha)	Lint (‘000bales)	Seed (‘000t)	Average yield lint (t/ha)	Average yield seed (t/ha)
NS W	273	11	2,860	882	2.2	3.11
QL D	147	12	1,470	450	2.03	2.87
Tot al	419	23	4,330	1,332		

Rainfall during the first half of the 2012/13 Australian summer was well below average. However, late season rains combined with stored water that was carried over from the previous two very high rainfall years means that both public and private storage levels are above average for this time of year.

Accordingly, early projections for the 2013/14 Australian cotton crop are an estimated 435,000hectares to be planted. Harvest of the same area at an average yield of 9.65 bales per hectare would result in total production of 4.2 million bales. Water allocations from public storages for the 2013/14 cropping area have not yet been made, but will be a determinant of planting decisions for irrigated cotton growers who do not have sufficient on farm storage. Final yields will be determined by intra-seasonal weather conditions, which also determine the likely impact of pests and disease. Grain prices are forecast to remain above historical averages. This is expected to restrain dry-land cotton plantings.

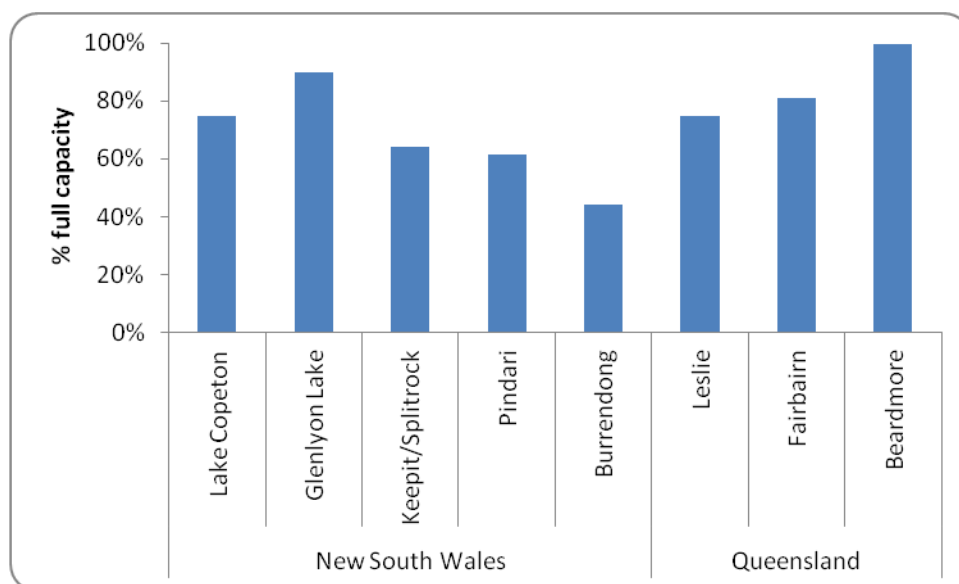


Figure 2 Key cotton water storage levels as at March 21, 2013¹

Production Supply and Demand Estimates

Cotton Australia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Aug 2011		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	580	600	445	442		435
Beginning Stocks	2,575	2,575	3,568	3,606		3,341
Production	5,500	5,495	4,200	4,300		4,200
Imports	0	0	0	0		0
MY Imports from U.S.	0	0	0	0		0
Total Supply	8,075	8,070	7,768	7,906		7,541
Exports	4,642	4,634	4,600	4,700		4,300
Use	40	40	40	40		40
Loss	-175	-210	-175	-175		-175
Total Dom. Cons.	-135	-170	-135	-135		-135
Ending Stocks	3,568	3,606	3,303	3,341		3,376
Total Distribution	8,075	8,070	7,768	7,906		7,541

1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA

¹ Data sources:

Murray Darling Basin Authority - <http://www.mdba.gov.au/water/waterinstorage>

Sunwater - <http://www.sunwater.com.au/home/water-storage-levels>

Trade

Australia typically exports over 90 percent of cotton produced. Therefore, virtually all of the increase in estimated cotton production since the previous forecast is expected to be exported. Australian exports of cotton are expected to reach 4.7 million bales in 2012/13. This reflects both the record crop produced in 2011/12 and the high production forecast for 2012/13.

Often the amount of cotton exported from Australia appears to be greater than the amount produced. This is because cotton bales absorb moisture between processing and export. Both industry and official production and export figures are reported in tons, thus when converted to 480lb bale equivalents the exported figure may appear to be greater than production. Exports are expected to fall slightly to 4.3 million bales in 2013/14 based on lower production, yet are expected to remain well above the 5 year average.

The key destinations for Australian cotton are China, Indonesia, Thailand, South Korea and Bangladesh. In 2011/12 these five destinations accounted for 94 percent of Australian exports. The same five destinations accounted for 63 percent of United States cotton exports in the same year. Australia and the United States rank in the top three importers for each of these countries² but as shown in Figure 4, Brazil and India are also major competitors in these import markets.

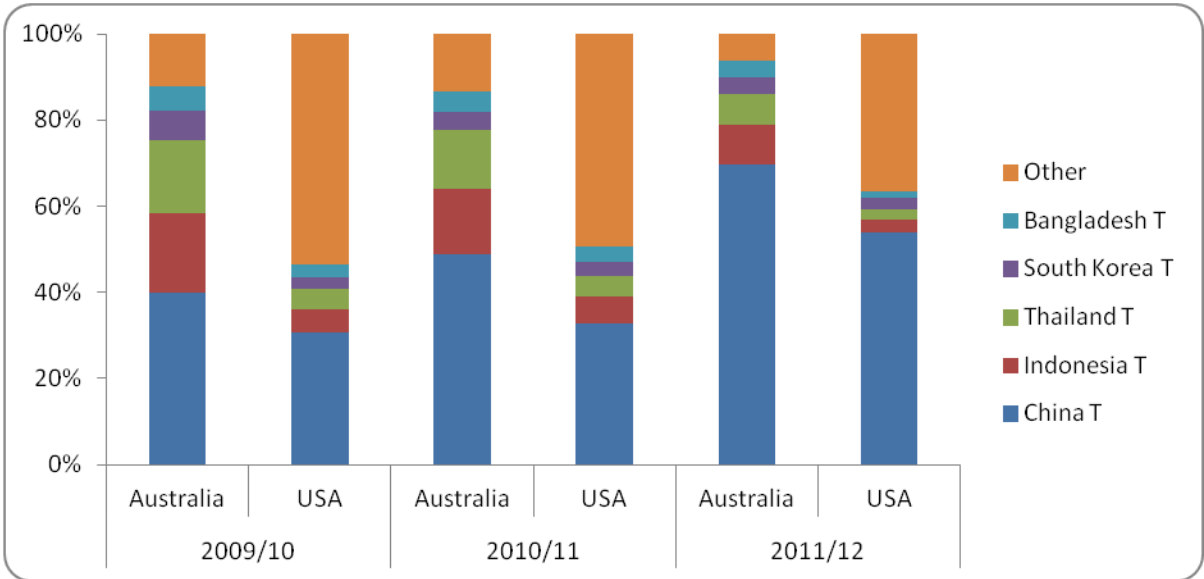


Figure 3 Export destinations for Australian and United States cotton

² Excluding Bangladesh as similar import data was not available for comparison.

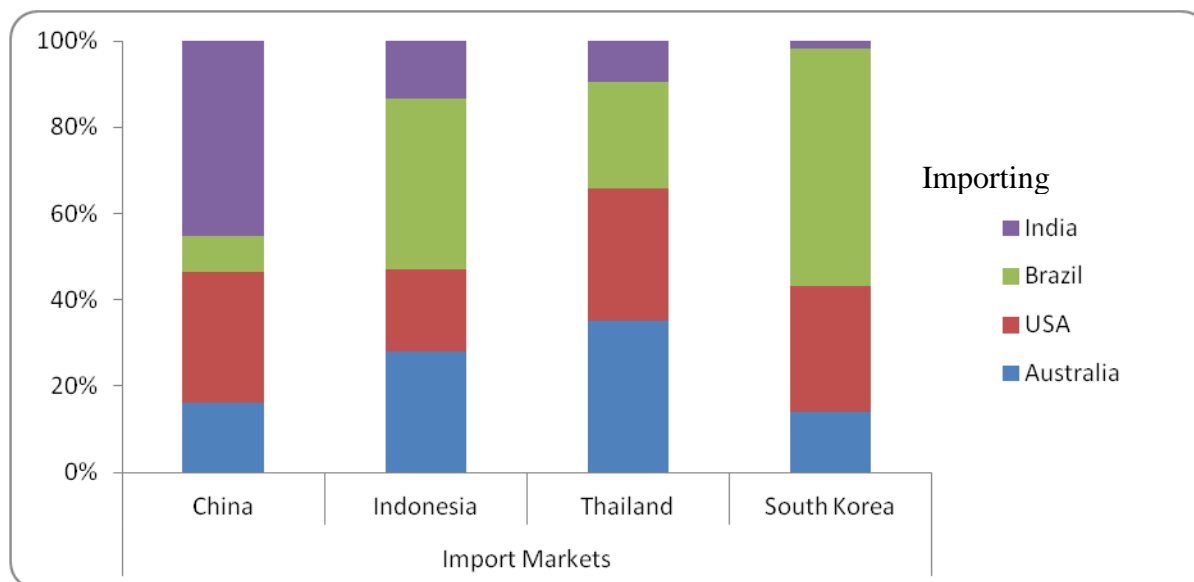


Figure 4 Cotton importers in 2012